

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2019/2020

### BAC1634 – FINANCIAL ACCOUNTING & REPORTING I

(All sections / Groups)

5 MARCH 2020

2.30p.m–5. 30p.m

(3 Hours)

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#### INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 5 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

**QUESTION 1**

You are the accountant of Izmir Berhad. The board of directors have requested you to update on the financial reporting framework.

**Required:**

Prepare a note on:

- a) Three (3) regulatory bodies and their roles with regard to financial reporting practice in Malaysia. (6 marks)
- b) Three (3) purposes of the conceptual framework for financial reporting. (6 marks)
- c) Qualitative characteristics of accounting information:
  - i. Timeliness.
  - ii. Comparability.
  - iii. Verifiability.
  - iv. Understandability. (8 marks)
- d) Importance of the financial reporting standards to the preparers. Provide an example in your explanation. (5 marks)

**Total: 25 marks**

**QUESTION 2**

Sofea & Co. established few years ago founded by Sofea and Amanda. The business went well until recently, due to economic downturn the business suffered a heavy loss. Due to this, they decide to dissolve their partnership. Profit and loss from the business is shared equally among them. The following summarized Statement of Financial Position of the partnership as at 31 December 2019.

	RM	RM
Building (Net)		20,000
Motor vehicle (Net)		120,000
Equipment (Net)		5,500
Inventory		60,500
Accounts receivable	80,000	
Less: Allowance for doubtful debts	(4,000)	
Net receivable		76,000
Cash		50,000
		<b>332,000</b>

**Continued...**

Capital Accounts		
-Sofea	114,500	
-Amanda	82,500	
		197,000
Bank loan		100,000
Accounts payable		35,000
		<b>332,000</b>

After several discussions, the partnership is on the following term:

1. The asset was revalued and sold as follow:

	RM
Building	30,000
Inventory	50,000
Equipment	5,500

2. It was agreed that Sofea is going to take over motor vehicle at a value of RM100,000.
3. The partners agreed to give discount 15% to all of their accounts receivable. All of the accounts receivable settle the amount due.
4. The accounts payable grant the partnership 10% discount in total. Bank loan is settle in full.
5. The costs of dissolution will be RM6,000.
6. If by any chance, Sofea or Amanda owing to the business, they are going to use their personal cash to pay for it.

**Required:**

- a) Prepare the following accounts:

- i) Realisation accounts. (11 marks)
- ii) Partner's capital accounts. (5 marks)
- iii) Cash accounts. (6 marks)

- b) Illustrate the importance of non-profit organization to still issue a financial statement like profit oriented organization.

(3 marks)

**Total: 25 Marks**

**Continued...**

**QUESTION 3****Part A**

- 1) TQ Bhd. is a Malaysian listed company that engages in the business of supplying electronic components located in Dengkil, Selangor. The financial year end is 31 December annually. On 1 January 2019, TQ Bhd. had in issue 3,000,000 ordinary shares amounting to RM6,000,000 and 500,000 8% non-redeemable preference shares amounting to RM500,000. One preference share can be converted into one ordinary share in year 2019. The profit after tax is RM750,000.
- 2) KZ Bhd. is the largest plantation company in Malaysia. The financial year end is 30 June annually. On 1 July 2018, the company had in issue 6,000,000 ordinary shares amounting to RM6,000,000. On 1 January 2019, RM400,000 10% convertible debentures were issued, where debenture of RM100 can be converted into 120 ordinary shares. Profit after tax is RM670,000. Tax rate is at 24%.

**Required:**

For each of the following independent case, apply the principles in **MFRS 133: Earnings per Share**, compute:

- a) the basic EPS. (4 marks)
- b) the diluted EPS. (5 marks)

**Part B**

The December 31, 2019 statement of financial position of SYZ Berhad had Accounts Receivable of RM500,000 and a credit balance in Allowance for Doubtful Debts of RM33,000. During 2019, the following transactions occurred: sales on account RM1,300,000; sales returns and allowances, RM50,000; collections from customers, RM1,215,000; accounts written off RM35,000; previously written off accounts of RM5,000 were collected.

**Required:**

Apply the principles in **MFRS 9: Financial Instruments** to:

- a) Recognize and measure their receivables. (4 marks)
- b) Journalize the 2019 transactions. (3 marks)
- c) Show the adjusting entry at December 31, 2019, if SYZ Berhad uses the percentage-of-receivables basis to estimate bad debts expense and the uncollectible accounts are expected to be 4% of accounts receivable. (3 marks)

**Continued...**

**Part C**

The balances in the book of Daren Bhd as at 1 December 2019 were as below:

Ordinary Shares at RM1.50	RM6,000,000
7% Preference shares at RM1	RM500,000
General Reserve	RM800,000
Retained earnings	RM4,400,000

On 10 December 2019, the company made a bonus issue of 3 shares for every 10 shares at RM1 per share. This bonus issue was done by utilizing the general reserve. If the general reserve account balance is insufficient, the retained earnings balance would be utilized. The shares are issued on 31 December 2019.

**Required:**

- a) Prepare the journal entries for the above transactions. (5 marks)
- b) Compute the value of ordinary share capital as at 31 December 2019. (1 mark)

**Total: 25 marks**

**QUESTION 4****Part A**

Biro Bhd acquired a property on 1 January 2009 for the business usage. The cost of the property is RM500,000. The useful life of the property was 50 years with no salvage value. On 1 October 2019, the company decided to sell the property due to economic downturn. At this date, the fair value less cost to sales the property was RM400,000. However, the property need to go for renovation first before it can be advertise to public. The renovation are expected to be done in ten month time. However, on 1 April 2020, Carry Bhd offer to purchase the property and intended to take over all the renovation cost of the company. The purchase price of the property is RMRM550,000. Biro Bhd agreed to the offer and proceed to sale the property. Biro Bhd categories the property as non-current assets held for sales as 31 December 2019 and follow the disclosure requirement of MFRS 5.

**Required:**

Apply the principles in **MFRS 5: Non-current Assets Held for Sale and Discontinued Operations** to show the accounting treatment for the property as per company year-end 31 December 2019 and the carrying value of the property as at the date.

(5 marks)

**Continued...**

**Part B**

Waterfly which established the business several years ago, operates low cost flight that go all around the Asia. One of its aeroplane was acquired on 1 January 2014 for a total cost of RM600 million. The aeroplane's components are as follows:

Component	Cost (RM million)	Useful life
Engine	210	6 years
Body	350	7 years
Furniture and fittings	100	10 years

On 1 January 2019, the engineer discovered that there was an unexpected level of engine trouble and the company decided to replace the engine with a new engine at a cost of RM250 million. The expected life of the new engine is determined to be ten years.

At the same time the company upgrade its furniture and fittings at a cost of RM10 million. The remaining life of the furniture and fitting was revised to eight years as at 1 January 2019. The company also repainting the ship at a cost of RM350,000.

**Required:**

Apply the principles in **MFRS 116: Property, Plant and Equipment** to compute the depreciation charge for the year ended 31 December 2019 and show the carrying amount of the aeroplane.

(20 marks)

**Total: 25 marks**

**End of page.**



